

TWENTY YEARS OF GOLD PAYMENTS.

That the stock market is, as yet, far from being ready to collapse, was signalized last week, by the failure of the "bear" attack upon American Tobacco and Manhattan Elevated. Selling for delivery what one does not possess is always hazardous, and it is especially so at that time, when the money market is as well supplied as it is, and the preponderance of public sentiment is so decidedly in favor of a rise, or, at least, against a fall. The only thing to be done by those who doubt the permanence of the present state of things is to sit still and wait, keeping their money in hand for a favorable moment to invest it. To go beyond this, and to attempt to precipitate a fall, even with the backing of political influence, is to invite sure disaster.

Attention is called in this column, last Monday, to the enormous volume of credits which, in this, as in all other established countries, serve the purpose of money equally with coin. In fact, the extent to which credit money supplements coin, and the uniformity with which it is accepted as of the same value as coin, mark the degree of confidence, inspired by experience, which men have in the willingness and the ability of their fellow men to fulfill their promises. So long as this confidence remains unimpaired the fabric built upon it will be solid and unshaken, but when it falls the superstructure raised upon it will come tumbling to the ground. As the advantage of the credit system lies in its augmentation of the medium of exchange, so its disadvantage is its fragility and its sensitiveness to the slightest breath of suspicion.

For this reason, it is important that the value of the coin, according to which the value of credit money is estimated, should be as free as possible from uncertainty. If the standard of measurement varies, all computations made according to it must necessarily vary with it. Without insisting, as many do, that gold is absolutely fixed in value, it may, nevertheless, be asserted, with reasonable confidence, that it is the most nearly so of any commodity in general use, and that, therefore, it is best adapted to be a monetary measure. On behalf of silver it was for a long time asserted that with respect to agricultural products, it varied less than gold, but even this proposition has been contradicted by recent facts, and, as regards the vastly more important commodity of human labor, it has never been true. Wages, so far from falling, when measured by gold, as agricultural products did for a few years, have steadily risen and are now higher than ever.

It was fortunate, therefore, that when this country resorted to specie payments on Jan. 1, 1870, after a suspension lasting nearly seventeen years, it resumed in gold. Had the bill proposed in 1878, for the unlimited free coining of silver at the old ratio of 16 to 1, been passed in its original form, instead of being amended as it was, into a bill for limited coinage, we should now have as India had until 1890, and as Mexico has still, silver as the standard of value, and all the inconveniences and fluctuations attending it. On the other hand, none of the evils predicted by opponents of the gold standard are sure to result from adherence to it, have happened. We have not been obliged to suspend specie payments because of any difficulty in obtaining gold; the business of the country has not been hampered and restricted, and the increase of our material prosperity has been marvellous.

The act providing for the resumption of specie payments on Jan. 1, 1870, was passed in 1875, two years after the act allowing the free coining of silver at the ratio of 16 to 1 had been repealed. It was, therefore, substantially, an act for resuming in gold, and was so understood by the whole nation, and it also provided that the entire issue of Government notes should be redeemed and cancelled. Three years afterward, so much of it as related to the cancellation of redeemed Government notes was repealed by an act requiring such notes to be issued and the act heretofore mentioned, providing for a limited coining of silver dollars, was passed. It therefore became, by Jan. 1, 1870, an act for nothing but the resumption of specie payments, and for specie payments in silver coin as well as in gold coin, but, still, the coining of silver dollars being restricted, they were at par with gold, and have remained so ever since. Even with these modifications, which greatly facilitated resumption, few people believed that the act could be carried into effect on the day fixed for it, and a prominent Wall-street bullion broker announced that he would willingly pay \$1,000,000 for the privilege of being first in the line at the Treasury on that day, in order to empty the Treasury of its gold and profit by the premium, which, in his opinion, it was sure to command.

These gloomy predictions were most signally falsified. In 1877 the Treasury obtained, by the sale of bonds abroad, \$40,000,000 in gold for resumption purposes, and in 1878 \$50,000,000 more, of which was added \$5,000,000 paid on the bullion award in the fisheries dispute with Great Britain, making a total of \$45,500,000. From April, 1878, through enough time was gained to bring the amount in the Treasury up to nearly \$142,000,000, and, as the event proved, it was amply sufficient. Nobody, in fact, presented notes for redemption, and the premium on gold, which, during the latter part of 1878, was trifling, disappeared entirely, nor would there ever since, at any time, have been any doubt of the Government's ability to maintain the redemption of its notes in gold, except for the agitation of the silver question, and the diversion of the gold redemption fund, in 1885 and 1886, to current expenses.

The effect of the resumption on the credit of the nation was wonderfully good. The negotiations for the sale of the 4 per cents, authorized by the act of 1870 for the refunding of loans made at higher rates of interest, the small previous issues of which had fallen to a discount which put an end to the demand for them at par, were resumed in 1870 with such success that \$40,000,000 of them were disposed of rapidly at a small premium, and by the end of the year were selling at 104, at which price the late William H. Vanderbilt invested in them the proceeds of \$25,000,000 New York Central Railroad stock which he sold to J. P. Morgan and others at 120. During the following year the Government extended at 3½ per cent., \$50,000,000 of maturing 5 and 8 per cent. bonds, and, in 1882 took up with a new 3 per cent. bond the \$290,000,000 of them which had not been paid off out of surplus income. These new 3 per cents were soon paid off in the same way that the extended 3½ had been, and then the Government was driven into buying with its surplus revenue, bonds in the open market, paying at one time 30 per cent, premium on the 4 per cents which it sold in 1870 at very nearly par. The net result was that in the 14 years that elapsed between July 1, 1870, and July 1, 1883, the national interest bearing debt was reduced from \$1,170,000,000 to \$850,000,000 and the rate of interest on it from 6, 5, and 4½ per cent. to 4 per cent.

An equal failure attended the predictions of disaster to private citizens from a contraction of the money supply, which, it was asserted, would follow the resumption of gold payments and the simultaneous denial of free coining of silver. During the twenty years which have elapsed since resumption in gold, the stock of the metal in all the national banks of the country has risen from \$41,500,000 to \$235,000,000. In the banks of this city alone it has risen from \$21,000,000 to \$200,000,000, enabling them to increase their loans from \$224,000,000 to more than triple the amount, and, in so doing, the rate of interest from 4 per cent, and over, to 3 and 3½ per cent. The general abundance of money and the sum with which it can be obtained all over the country by borrowers in good credit are too notorious to be denied, all complaints to the contrary notwithstanding.

The material growth of the country during these same twenty years also demonstrates that the maintenance of gold payments has had nothing but the blighting effect which the partisans of silver have, until lately, been accustomed to charge upon it. Our population has increased from 50,000,000 to over 75,000,000; our railroads from 88,000 miles to 185,000 miles; our annual crop of wheat, in 420,000,000 to over 975,000,000 bushels; that of corn from 1,388,000,000 bushels to nearly

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